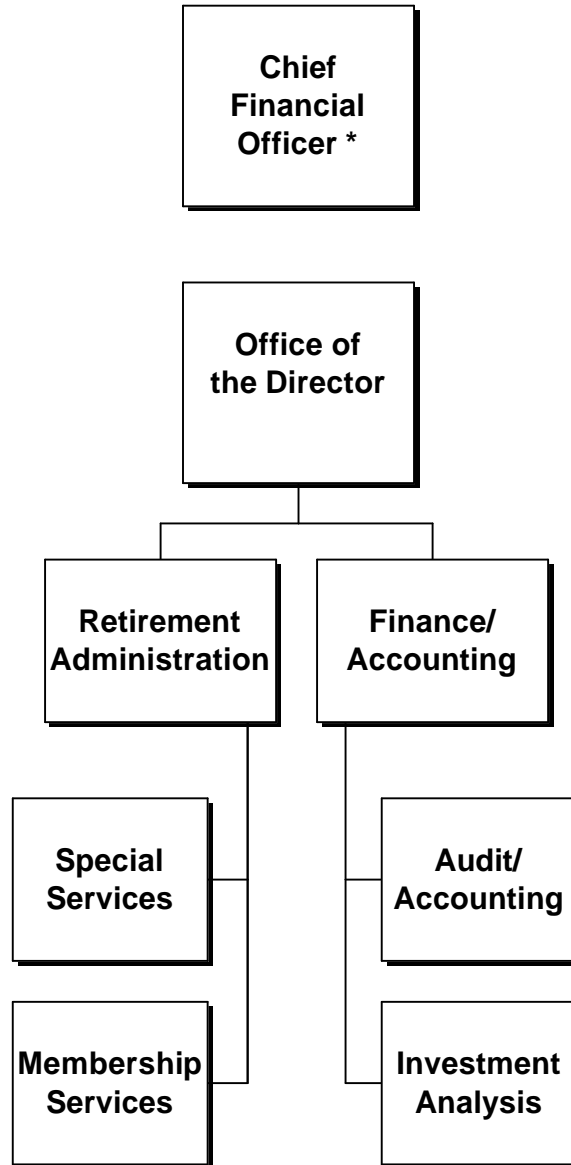


RETIREMENT ADMINISTRATION AGENCY



* The Chief Financial Officer has a liaison role for strategic direction and oversight of this agency; however, for budget purposes, that position and associated funding are reflected within the Department of Management and Budget.

FUND 500

RETIREE HEALTH BENEFITS FUND

Agency Position Summary

22 Regular Positions (1) / 22.0 Regular Staff Years (1.0)

Position Detail Information

OFFICE OF THE DIRECTOR

1 Executive Director
1 Administrative Assistant III
1 Administrative Assistant II
1 Administrative Assistant I
4 Positions
4.0 Staff Years

RETIREMENT ADMINISTRATION

1 Retirement Administrator
1 Position
1.0 Staff Year

Special Services

1 Programmer Analyst II
1 Programmer Analyst III
1 Information Officer II
3 Positions
3.0 Staff Years

Membership Services

1 Management Analyst II
3 Retirement Counselors
4 Administrative Assistants II
8 Positions
8.0 Staff Years

FINANCE/ACCOUNTING

1 Investment Manager
1 Position
1.0 Staff Year

Audit/Accounting

2 Accountants II* (1)
1 Administrative Assistant IV
3 Positions (1)
3.0 Staff Years (1.0)

*1/1.0 SYE Accountant II is financed by Fund 500, Retiree Health Benefits. All remaining 21/21.0 SYE positions are financed jointly by the three retirement trust funds (Fund 600, Fund 601, and Fund 602).

Investment Analysis

1 Senior Investment Manager
1 Investment Analyst
2 Positions
2.0 Staff Years

() Denotes New Positions

FUND 500

RETIREE HEALTH BENEFITS FUND

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2004 Advertised Budget Plan, as approved by the Board of Supervisors on April 28, 2003:

- ◆ A decrease of \$482 reflects reduced funding for the Pay for Performance program. Based on the approved 25 percent reduction, the FY 2004 program will result in reductions in the increases employees will receive based on their performance rating, capping employees to a maximum of 5.25 percent. This adjustment leaves in place the Pay for Performance program in preparation for system redesign for FY 2005.
- ◆ As part of the FY 2005 Budget Guidelines approved by the Board of Supervisors on April 28, 2003, the County Executive is directed to work with public safety and general county employees on further enhancements to the health benefits subsidy for retirees. In addition, the County Executive is directed to look at the County's retirement program with advice and recommendations from the Retirement Boards of Trustees and encourages the School Board to conduct the same review of its retirement programs. The review and recommendations should be provided to the Board of Supervisors to be considered as part of the FY 2005 Advertised Budget Plan.

The following funding adjustments reflect all approved changes to the FY 2003 Revised Budget Plan from January 1, 2003 through April 21, 2003. Included are all adjustments made as part of the FY 2003 Third Quarter Review:

- ◆ The Board of Supervisors made no adjustments to this fund.

County Executive Proposed FY 2004 Advertised Budget Plan

Purpose

Fund 500, Retiree Health Benefits, provides monthly subsidy payments to eligible retirees of the County to help pay for health insurance. The current monthly subsidy is \$100 once a retiree or beneficiary reaches the eligibility age of 55 and for disability retirees at any age.

Beginning in FY 2004, subsidy payments will be adjusted to reflect proposed changes to the subsidy structure which includes a change from a flat per month subsidy to a graduated subsidy based on length of service. During FY 2001, a consultant-led review of retiree benefits was completed. The review included a comparison of benefits provided by Fairfax County to those provided by other jurisdictions and the Federal Government. The results of the study showed that Fairfax County was strongly positioned with respect to retirement system benefits, but with respect to health insurance benefits provided for retirees, Fairfax County was not competitive and placed in the bottom quartile. Many other jurisdictions provide benefits that are based on a percentage of premiums due to substantial increases in health insurance premiums in recent years. However, the Fairfax County benefit is a fixed dollar amount. While the fixed dollar amount has been increased twice in recent years, the increase has not kept pace with the increase in insurance premiums. A consultant was retained during 2002 to review improvements to retiree health insurance benefits while considering cost impacts. The consultant recommended a proposal that improves the health benefit subsidy to retirees based on years of service. During FY 2004, \$600,000 is included to allow the system to improve retiree health benefits based on subsidy levels that vary by length of service, with the highest subsidy amounts for retirees with 25 or more years of service and lower subsidy amounts for those who retiree with less than 25 years of service.

FUND 500

RETIREE HEALTH BENEFITS FUND

During FY 2004, the average number of subsidy recipients, including new retirees, who are eligible to receive the subsidy, is expected to increase by 157, or 8.5 percent, from 1,853 in FY 2003 to 2,010 in FY 2004. Estimates of the average number of subsidy recipients are based on a review of the projected number of retirements and health subsidy eligibility for personnel already retired from the Fairfax County Employees' Retirement, Uniformed, and Police Officers Retirement Systems. Retirees who become eligible to receive the subsidy are paid based on the period of eligibility within the fiscal year, which may or may not comprise a full year of payments.

In FY 2004, the General Fund Transfer will increase by \$860,735, or 38.6 percent, over the *FY 2003 Revised Budget Plan* level of \$2,228,491, to \$3,089,226. In addition, an amount of \$3,564 is appropriated from fund balance to fund FY 2004 requirements.

FY 2004 Initiatives

- ◆ Provide appropriate funding level to support the retiree's health insurance benefit subsidy.
- ◆ Continue to allow for the timely and accurate distribution of retiree health insurance subsidy payments.
- ◆ Employees who retire after July 1, 2003 will receive a subsidy based on their age and years of service. (See the tables below for details)
- ◆ No reductions in subsidy payments for employees who retired prior to July 1, 2003 but do not meet the revised requirements for years of service. Those who retire prior to July 1, 2003 with less than 19 years of service will continue to receive at least the \$100 subsidy. However, those with 15 or more years of service would be eligible for the increased subsidy as of July 1, 2003.

Current Retiree Health Benefit Subsidy				
	Uniformed Employees (Public Safety)		General Employees	
Commencement	Age 55		Age 55	
Subsidy (Monthly)	Monthly		Monthly	
Age at Retirement	< 65	> 65	< 65	> 65
5-9	\$100	\$100	\$100	\$100
10-14	\$100	\$100	\$100	\$100
15-19	\$100	\$100	\$100	\$100
20-24	\$100	\$100	\$100	\$100
25 or more	\$105	\$100	\$100	\$100
Duration	Life		Life	

FUND 500

RETIREE HEALTH BENEFITS FUND

Proposed Retiree Health Benefit Subsidy				
	Uniformed Employees (Public Safety)		General Employees	
Commencement	Age 55		Age 55	
Subsidy (Monthly)	Monthly		Monthly	
Age at Retirement (Note: Subsidy payments for retirees over 65 are adjusted for Medicare)	< 65	> 65	< 65	> 65
5-9	\$25	\$15	\$25	\$15
10-14	\$50	\$25	\$50	\$25
15-19	\$125	\$75	\$125	\$75
20-24	\$150	\$100	\$150	\$100
25 or more	\$175	\$125	\$175	\$125
Duration	Life		Life	

Funding Adjustments

The following funding adjustments from the FY 2003 Revised Budget Plan are necessary to support the FY 2004 program:

- ◆ An increase of \$4,354 in Administrative costs primarily associated with salary adjustments necessary to support the County's compensation program.
- ◆ An increase in benefit payments of \$188,500, or 8.5 percent, based on the current and projected rate of participation.
- ◆ An increase in benefit payments of \$600,000 based on the proposed revisions to subsidy payments to include graduated payments for length of service.

The following funding adjustments reflect all approved changes in the FY 2003 Revised Budget Plan since passage of the FY 2003 Adopted Budget Plan. Included are all adjustments made as part of the FY 2002 Carryover Review and all other approved changes through September 10, 2002:

- ◆ There have been no revisions to this fund since approval of the FY 2003 Adopted Budget Plan.

FUND 500

RETIREE HEALTH BENEFITS FUND

FUND STATEMENT

Fund Type G50, Internal Service Funds

Fund 500, Retiree Health Benefits

	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
Beginning Balance	\$231,311	\$106,445	\$110,009	\$38,564	\$38,564
Transfer In:					
General Fund (001)	\$1,917,915	\$2,228,491	\$2,228,491	\$3,089,226	\$3,088,744
Total Transfer In	\$1,917,915	\$2,228,491	\$2,228,491	\$3,089,226	\$3,088,744
Total Available	\$2,149,226	\$2,334,936	\$2,338,500	\$3,127,790	\$3,127,308
Expenditures:					
Benefits Paid	\$1,966,800	\$2,224,000	\$2,224,000	\$3,012,500	\$3,012,500
Administrative	72,417	75,936	75,936	80,290	79,808
Total Expenditures	\$2,039,217	\$2,299,936	\$2,299,936	\$3,092,790	\$3,092,308
Total Disbursements	\$2,039,217	\$2,299,936	\$2,299,936	\$3,092,790	\$3,092,308
Ending Balance	\$110,009	\$35,000	\$38,564	\$35,000	\$35,000